

Message Text

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46

ACTION EUR-25

INFO OCT-01 ISO-00 TRSE-00 SAJ-01 EB-11 OMB-01 SS-20 NSC-07

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DEPARTMENT PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: PERSONAL INCOME TAX REFORM: DRAFT LEGISLATION PASSED BY
BUNDESTAG

REF: (A) BONN A-612, OCT. 5, 1973; (B) A-183, APRIL 5, 1974.

1. AFTER EXTENSIVE DEBATE, THE BUNDESTAG LATE LAST NIGHT PASSED, AGAINST THE VOTES OF THE OPPOSITION, DRAFT LEGISLATION DESIGNED TO IMPLEMENT THE GOVERNMENT'S LATE 1973 GUIDELINES FOR PERSONAL INCOME TAX REFORM. THESE GUIDELINES WERE SUMMARIZED IN REF. A. A SUBSEQUENT CHANGE IN PLANS FOR REMODELLING THE CHILDREN ALLOWANCES' SCHEME WAS REPORTED IN REF. B (NOTE: THIS SUPERSEDES PARAGRAPH 3 OF THE ENCLOSURE TO REF. A).

2. THE OPPOSITION'S COUNTERPROPOSALS TO THE GOVERNMENT'S PERSONAL INCOME TAX REFORM PACKAGE -- ESSENTIALLY AIMED AT IMMEDIATE TAX RELIEF SELECTED INDIVIDUAL MEASURES, COUPLED WITH POSTPONEMENT OF BROAD-SCALE REFORM TO ALLOW MORE TIME FOR IN-DEPTH DELIBERATIONS -- WERE REJECTED BY THE BUNDESTAG MAJORITY OF THE COALITION PARTIES.

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3. THE OPPOSITION-CONTROLLED BUNDESRAT WILL PROBABLY DEAL WITH THE

DRAFT LEGISLATION ON JUNE 21. THE CONSENSUS IS THAT THE BILL, AS IT NOW STANDS, WILL FAIL TO PASS THE UPPER HOUSE AND WILL BE REFERRED TO THE BUNDES RAT/BUNDESTAG MEDIATION COMMITTEE. IN THAT CASE, THE COMMITTEE IS EXPECTED TO WORK OUT COMPROMISE PROPOSALS ON/OR ABOUT JUNE 27 WHICH THEN ARE TENTATIVELY SCHEDULED TO BE VOTED ON ON JULY 1 (BUNDESTAG) AND JULY 12 (BUNDES RAT). COALITION QUARTERS SEEM FAIRLY CONFIDENT THAT THEIR PERSONAL INCOME TAX REFORM PACKAGE, WITH SOME FURTHER MODIFICATIONS, WILL BE APPROVED IN TIME FOR IMPLEMENTATION EFFECTIVE JANUARY 1, 1975 AS CONTEMPLATED.
HILLENBRAND

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